

**VIRGINIA DEPARTMENT OF HEALTH
DIVISION OF CHRONIC DISEASE PREVENTION/NUTRITION
RETAILER SELECTION AND AUTHORIZATION
Policy and Procedure**

Number. 14.0
Effective Date: March 1, 1996

SELECTION/AUTHORIZATION

Retailer Selection and Authorization

Purpose:

The State Agency¹ as required by Federal regulations must authorize only an adequate number of WIC retail stores to ensure reasonable availability and convenient accessibility to WIC participants. The Retailer Selection and Authorization Policy identifies the *optimal* retailer-to-participant ratio and establishes those factors the State Agency will use when selecting appropriate retail stores. In accordance with the stated ratio, but responsive to competing factors to effectively manage the Program, the State Agency will authorize those retailer-applicants best qualified to serve the needs of WIC participants in the Commonwealth. The State Agency completes a periodic review of all authorized retailers' qualifications, history and pricing at least every two years.

General Requirements: Applicants must meet **all** of the following conditions:

1. Be Food Stamp authorized (except pharmacies) and in good standing.
2. Be currently WIC authorized or eligible for authorization as a new applicant or eligible after demonstrating compliance with a WIC disqualification requirement (if applicable).
3. Meet all local, state, and federal requirements, including sanitation and building code regulations.
4. Be in operation as a business at the time of application or within 45 days of application.
5. Be needed to ensure adequate WIC participant access, as determined by the State Agency.
6. Maintain a minimum number of participants served as established by the State Agency to assure provisions of WIC services are rendered to a sufficient number of WIC participants, after one year of continuous WIC participation (Not applicable to pharmacies and military commissaries.)
7. Maintain the mandatory minimum WIC approved food stocking requirement in the customer shopping area or immediately available on-site.
8. Be open for business at least 48 hours per week and a minimum of 6 days per week.
9. Be located in a fixed, permanent location. (The State Agency will not accept applications from new mobile retailers nor "change of ownership" requests from existing ones.)
10. Absence of any business related felony or misdemeanor, including criminal conviction for a program violation by the individual retailer, any of its current employees whose duties include handling WIC Program food instruments, or owners, officers, directors, or partners of the corporation.
11. Comply with all financial and corrective actions identified from prior WIC authorization.
12. Participate in the Virginia WIC Program's direct deposit process used for rejected check reimbursement.

¹ State Agency = Virginia WIC Program
Rev. 9/97

RETAILER CLASSES:

Each retailer will be assigned to a peer group (class). This classification is important and accuracy is essential, since it will determine the reimbursement level used for processing WIC checks. In addition, pricing comparisons will be made among retailers of the same classification for selection and authorization purposes. It is the retailer's responsibility to provide written notification to the State Agency if the number of cash registers changes.

The State Agency will classify all retailer-applicants as follows:

CLASS 1	1 to 3 Registers	CLASS 3	8 or more Registers
CLASS 2	4 to 7 Registers	CLASS 4	Pharmacies and Military Commissaries

I. SELECTION:

A maximum of 1,250 retail slots exist to service WIC participants. The State Agency's overall service goal is 150 participants to 1 participating retailer located within a specific trade area. Under **7 C.F.R. 246.12 e(3)**, the State Agency considers the impact of authorization decisions on small businesses (i.e., class 1 stores). The State Agency will reserve 25% of available slots for class 1 retailers.

Trade Area:

The State Agency establishes an adequate number of retail slots available for each trade area. The city/county where the retail store is located is used by the State Agency to identify the store's primary trade area. In those incidences where a compact and contiguous WIC population exists, a five-mile radius may be used by the State Agency to evaluate the geographical boundaries of retailer-applicants. The five (5) mile radius considered by the State Agency may cross contiguous city/county boundaries. A retail store can provide additional documentation for the State Agency's consideration, if objective data identifies the store's trade area to be broader than the standard city/county comparison base used.

As part of the Selection and Authorization process, the State Agency will evaluate the Pricing, History and Location of all retailer-applicants.

The State Agency accepts and processes authorization applications throughout the year. Retail stores with the highest composite score will be offered available retail slots. If the retailer-applicant is not competitively approved for one of the slots available, the retailer-applicant may apply again, no sooner than six (6) months after submitting an application. The retailer-applicant must submit a new written request to the State Agency for an application. The State Agency will not maintain a retailer-applicant waiting list.

New retailer stores, without any prior WIC history, will have a probationary status during their first year. After the first year, the State Agency will evaluate the store's status (History). If this assessment identifies a History with a point value of zero (0), one (1), or two (2) the State Agency will evaluate the store's status for possible termination actions. See Parts A and B for an explanation of the scoring mechanism to be used.

A. PRICING:

A price comparison of retailer-applicants will be made using the WIC Food Cost File of currently authorized retailers in the same class. The State Agency will use for comparison purposes two of the most frequently used check types: one typical of a woman's or child's food package (Check type 3123) and one infant food package (Check type NXJC).

The State Agency will use the following criteria for scoring *Pricing*:

Description	Price Comparison Range	Point Value
Non Competitive Pricing	126 or higher	0.0
	Between 121 - 125 score	0.5
	Between 116 - 120 score	1.0
Less Competitive Pricing	Between 111 - 115 score	1.5
	Between 106 - 110 score	2.0
Competitive Pricing	Between 101 - 105 score	2.5
Best Pricing <u>or</u> A Maximum. <i>Competitive Pricing Bid Exists</i>	100 or below	3.0

B. HISTORY:

The State Agency will use the following criteria for scoring *History*:

Poor History	<ul style="list-style-type: none"> Food Stamp disqualified or sanctioned (civil money penalty paid) or WIC disqualified within one year 	zero (0) point
Marginal History	<ul style="list-style-type: none"> Retail stores with a low dollar volume and/or participant caseload. Retailers meeting WIC or Food Stamp disqualification requirements. 	one (1) point
High Risk	<ul style="list-style-type: none"> High Risk Retailers due to a hardship qualified status only. (High risk is based on compliance investigations resulting in 7 to 14 sanction points, more than 14 educational points from Program Representative monitoring visits within the past contract period.) 	two (2) points
No History	<ul style="list-style-type: none"> Retail stores with no prior WIC experience. 	two (2) points
Retailer in Good Standing	<ul style="list-style-type: none"> No major violations, six (6) or fewer sanction points or thirteen (13) or fewer educational points assessed within past contract period. 	three (3) points

History information will be taken from the WIC application and documentation kept by the State Agency.

C. LOCATION:

The State Agency's overall service goal is 150 participants to 1 participating retailer located within a specific trade area. All retailer-applicants will compete for the limited number of slots available in their specific trade area. The attached Retailer Slot Available by City/County chart identifies the optimal number of slots available to achieve this service objective. If there are no slots available within the retailers' trade area, the State Agency will evaluate whether any exception criteria apply for retailer-applicants with Competitive or Best Pricing scores (see EXCEPTIONS section.)

The State Agency will evaluate and adjust accordingly the retailer to participant ratio for each trade area, biannually.

The local WIC Program Agency will be given an opportunity to comment on the number of retail slots allocated to their trade area for adjustments of available retail slots based on clear and convincing evidence.

SCORING:

The final determination will be objectively made using the following weighted score:

Pricing	70%
History	30%
Overall Score:	100%

In its scoring the State Agency has given a greater weight value to pricing to ensure "reasonably priced" retail stores are selected over more costly stores. Additionally, participating stores selected for authorization should be able to demonstrate an acceptable record in complying with WIC Program requirements. New stores with no prior WIC history shall provide the State Agency, upon request, a written plan to demonstrate their store-wide compliance training program that will assure performance obligations. The State Agency will consider these factors in its selection and authorization decisions.

Bonus Considerations:

The State Agency will recognize compliance initiatives and technological solutions that retailer-applicants have in place to more effectively and efficiently service WIC participants. From the State Agency perspective these factors help reduce the operational costs associated with administering the WIC Program, while improving customer service rendered to WIC participants. Some examples of bonus criteria will be:

1. Implementation of front-end (cash register) technology that result in a less than 1% rejected WIC check error ratio including, but not limited to the processing of post-dated, and stale-dated checks, maximum dollar value prompts, etc.
2. Implementation of front-end technology that automatically identify WIC-approved foods.
3. Implementation of a technological solution that electronically imprints the store's WIC authorization number on the face of the WIC Program check, thereby reducing/eliminating checks rejected for *no vendor stamp*.
4. A twelve month maximum "*competitive*" bid pricing for selected WIC approved foods determined by the State Agency as most used and therefore reasonably definitive. Maximum bid pricing for food categories have been submitted and approved by the State Agency, covering a 12 month period. The Corporate office must provide assurance that the maximum competitive bid pricing structure can be used for at least two consecutive years from the date of acceptance and provide an appropriate industry escalator for price increases due to inflation.

The State Agency reserves the option to identify additional compliance initiatives and technological solutions that shall be added to the above categories based on its dynamic customer service priorities and directions.

Retailer-applicant(s) with the highest overall score (Pricing and History), plus consideration of the bonus criteria identified above will be selected for available slots in a specific trade area. If the number of retailer-applicants in a specific trade area exceeds the available slots, the State Agency may offer these slots to those retailers whose store location is most accessible to WIC participants. For retail stores with prior WIC Program experience, the State Agency will consider the number of participants served as shown in the Quarterly Profile Report as an indicator of "*accessibility*". For retail stores without prior WIC experience, the retailer must provide these WIC Program population served estimates.

Retailer-applicants must meet all General Requirements and obtain a minimum score of 1.5 (Pricing) and 1 (History) to be considered for WIC authorization. All retailer-applicants will receive written notification of their WIC selection and authorization status.

Retailer-applicants that are not selected will receive a copy of Vendor (Retailer's) Right of Appeal Policy with their written denied WIC authorization notice.

II. EXCEPTIONS:

Under advisement by the United States Department of Agriculture, the State Agency has been conferred with the sole authority to adjust the number of participating retailer slots available for participating retailers. It is the State Agency's responsibility under federal law to determine what makes up a *reasonable* trade area. The State Agency uses WIC caseload and redemption data to determine available retail slots and a reasonable trade area delimitation. The State Agency will consider the following factors in making any exceptions:

- A. High volume of complaints received by a local WIC Program Agency or State Agency about customer services rendered by participating retailers in a specific trade area.
- B. Geographic access issues in rural, urban and suburban communities.
- C. Promotion of competition in saturated areas by the authorization of competitively priced new retailers.
 - ◆ The State Agency uses redemption data to identify specifically those 50 authorized stores with the highest volume; and retailer-applicants located within a "*reasonable*" distance, (i.e., within a one mile suburban/urban environment; within a 5 miles rural environment) will be evaluated for exception authorization.

The State Agency reserves the option to use other exceptions that promote the goals and service objectives of the Program and population served.

III. REMOVAL:

Administrative Removal

Twice a year the State Agency will evaluate low WIC revenue earned or small number of participants served. After one year authorized retailers with continuous participation (does not include "change/modification of ownership") must meet the minimum performance threshold. Participating retailers who fail to meet the minimum threshold as determined by the State Agency's Quarterly Profile Report will be terminated.

A retailer is considered low volume based on the following indicators:

Number of Participants Served per Quarter

1. Fewer than 25 participants served for Class 1 retailers.
2. Fewer than 50 participants served for Class 2 retailers.
3. Fewer than 100 participants served for Class 3 retailers.
4. No minimum for Class 4 retailers.

OR

WIC Program Revenue Earned per Quarter

1. \$500 WIC business per quarter for Class 1 retailers.
2. \$1000 WIC business per quarter for Class 2 retailers.
3. \$2000 WIC business per quarter for Class 3 retailers.
4. No minimum for Class 4 retailers

Depending on the State Agency's service needs the performance thresholds identified above may change.

If a retailer-applicant submits incomplete or inaccurate information as part of the application package, the State Agency must deny authorization or terminate the contract.

IMPORTANT: As part of the authorization process, if a selected retail store fails either of the following:

- to pass an unannounced minimum stocking visit or
- does not attend mandatory training

the store will be ineligible for authorization. A retail store is provided written notification of his/her selection contingent upon their successful completion of all Program requirements.

References: Standard and Corporate Retailer Contract Agreement and Application Form
 7 C.F.R. 246.12 e(3)
 Minimum Food Stock Requirement Policy

Attachments:

- VA WIC Program Authorization Agreement Form
- VA WIC Approved Food List
- VA Participating Retailer Slot Available per County